

**Secret**



DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

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**SECRET****CHILE: AT HOME AND ABROAD (not source)**

President Allende's trip so far has gone along about as scheduled—an enthusiastic welcome in Mexico, a UN speech that blasted economic aggression against Chile, a day-long stopover in Algeria for talks with President Boumedienne, and another nice welcome at the Moscow airport by President Podgorny and Premier Kosygin.

While President Allende basks in the lime-light abroad, two Chilean groups on which he depends heavily—the Communist Party and the military—have been reassessing their situation.

Communist chief Luis Corvalan reportedly has been the central figure in negotiations in Santiago and Moscow for new Soviet assistance. According to Foreign Minister Almeyda, Allende does not want to risk personal involvement in a possibly unsatisfactory outcome to the quest for more help. In talks with the Soviets, Corvalan speaks with the backing of a self-sufficient and influential political force unique among Latin American Communist parties and can claim an unblemished half-century record of total and effective support of the Moscow line. Membership in the Chilean party about equals that of the Christian Democrats, the largest opposition party, although the Communist vote is smaller. Allende's Popular Unity coalition was largely engineered by the Communists and so, in reality, was his selection as presidential candidate.

Nevertheless, the Communists are only too aware that Chile's poor economic performance under Allende weakens the argument that Soviet aid is justified on political grounds. A party plenum on the eve of Allende's trip was devoted entirely to a pessimistic analysis of the economic situation.

Finance Minister Millas, a top party leader, pointed out that annual operating losses of firms

taken over by the government equal the annual profits of the former owners. He said that this was due largely to a doubling of the work force and to "suicidal competition" among new managers for political advantage. Millas and other leaders described the widespread barter and black market activities of the unions, many of them Communist-led. Party shortcomings were blamed for the willingness of lower middle-class groups to take part in the recent strikes, and there was a general review of areas where new tactics or effort were needed to strengthen grass-roots support for the party and prepare for elections next March. Some changes in approach should soon become apparent, given the Communists' record of rectifying ineffective tactics once they have been identified.

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Meanwhile, the military is reviewing its first few weeks as a major participant in the Allende government. General Prats is carefully avoiding any appearance of deviating from Allende's policies while acting as chief of state during the President's trip.

Prats' subordinates seem thus far to approve of the way Prats has discharged his delicate political responsibilities and therefore accept his judgments. At least one key and politically independent official thinks Prats has a pro-gov-25X1 ernment bias, however, and there are indications that Prats sees himself as a likely presidential candidate.

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## **EC: PROMISES AND PERFORMANCE**

2. [The EC is under pressure to follow through on its promises to develop beneficial trading relationships with less-developed countries. Although the EC instituted nearly 18 months ago a system of generalized preferences designed to help developing countries not directly linked to the community by specific arrangements, the intended beneficiaries complain that the system has done little for them. Moreover, they have tended to band together in order to press their case more forcefully on Brussels.]

3. [The resulting problems are typified in the pulling and hauling between the EC and the Association of Southeast Asian Nations—Thailand, Malaysia, Singapore, Indonesia, and the Philippines. For a variety of reasons, including a vague desire to strengthen the “European” presence in the area, the community has encouraged permanent consultative arrangements with the association. In response, the Asians have now asked for preferential trade arrangements, technical and financial assistance, and measures by the EC to increase demand for their products. There is little possibility that the community will provide such benefits, however, especially because many of the association’s tropical products compete directly with those of the EC’s African associates.]

4. [Latin American states also are asking the community to translate its professions of good will into meaningful trade and aid agreements. In 1971, these states and the community established

machinery for a permanent dialogue, but the resulting talks have not significantly strengthened political or economic relations. As a result, the unhappy Latin American countries, notably Brazil, continue to press the EC for wide-ranging economic programs similar to those proposed by the Association of Southeast Asian Nations.]

5. [Prospects are for greater complications in the future. Under the terms of Britain’s accession agreement, the EC is committed to make associate membership available to African and Caribbean Commonwealth states and to consider the problems that may arise out of the enlargement for Commonwealth countries in Asia. Commonwealth countries in Africa have yet to decide whether they will choose associate status or pursue another kind of relationship with the EC. Other countries, including India, are already insisting on broad new trade agreements to offset losses anticipated from British accession.]

6. [For the immediate future, the EC will most probably just go on making ad hoc concessions when confronted by impatient developing countries. In doing this, the EC risks getting drawn further into arrangements that benefit one group at the expense of another. Over the longer run, the difficulties of balancing off these clients against each other may persuade the EC to seek to establish a general policy for the developing world as an alternative to the grab bag of relationships now emerging.]

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**SECRET****HAITI: PANDORA'S BOX**

11 [The dismissal of interior and defense minister Luckner Cambronne on 15 November has triggered rumors that further changes in Haiti's top civil and military leadership are at hand.] Perhaps even more importantly, the ouster reportedly has stimulated discussion among military officers regarding the need for significant political change.

12 [As a result, an atmosphere of political uncertainty hangs over the Haitian capital. Should it remain for long, it could produce the first genuine political strains since Jean Claude Duvalier became president nearly 20 months ago.]

10 Cambronne's dismissal and subsequent departure into exile were effected quietly and were generally well received within Haiti. Still his departure was followed by a wave of reports that other high-ranking heads would roll. Those most frequently mentioned are Foreign Minister Adrien Raymond, Information Minister Fritz Cineas,

army chief of staff General Claude Raymond, and central bank president Antonio Andre. Thus far, no reports of further changes have been substantiated, but the government's concern about the potentially destabilizing effects of the persistent rumors was demonstrated on 2 December, when a presidential statement expressing "complete confidence" in the entire cabinet was published in Port-au-Prince.]

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some Haitian military officers are beginning to criticize the government. They are specifically disturbed by what they see as a re-emergence of the militia in a role of primacy over the army, and some are opposed to any further consolidation of the political power now exercised by the Duvalier family. The latter officers are said to be determined to "take action" if Marie Denise Duvalier

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Max Dominique

Marie Denise

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Dominique, the politically ambitious elder sister of the President, or her husband returns to a position of power and influence. Both have been abroad for some time, but reportedly plan to return home soon. While the President's mother, whose political power in the current government has been considered about equal to her son's, probably would like to see Marie Denise remain in Haiti, this wish might be overruled if the President came to regard her as a threat to his own position.]

In any event, it is significant that the Haitian military, weakened by successive purges during the fifteen long years of the Francois Duvalier dictatorship, is beginning to evince concern over political matters. Should the Duvalier family take no effective measures to blunt this concern and should sufficient cohesion and leadership emerge within the military to further this renewed interest in politics, Haiti's young President could be in for some difficult times. [redacted]

"We shall do everything in our power to try to normalize and strengthen our relations with America on the basis of the recognition of the new realities." Mrs. Gandhi promptly endorsed her foreign minister's overture.

Singh's speech followed a series of conciliatory gestures toward Washington, including restrained Indian comment on the Vietnam peace negotiations, warm congratulatory messages on President Nixon's re-election, and a generally unobstructive approach to US positions in international forums. The timing of the speech was probably also influenced by American gestures, including the recent acceptance of debt rescheduling for India.

The inclination toward better relations with the US is based in part on a growing awareness of India's need for economic support in light of present foodgrain shortages. Under present conditions, only the US can supply large quantities of foodgrains.

## INDIA: WESTWARD HO

New Delhi has apparently concluded that India, as a developing country with economic and political needs that cannot—and, for tactical reasons, should not—be met entirely by the Soviet Union, ought to improve relations with the US. The Indians are hopeful that most important obstacles to better Indo-US relations are being liquidated. They see a Vietnam settlement as imminent and look favorably on Washington's continued support for the agreements reached at the Gandhi-Bhutto summit as endorsing the principle of bilateral settlement of Indo-Pakistani problems. One possible impediment, according to the Indians, would be the resumption of US arms sales to Pakistan. The leaders in New Delhi apparently consider such a resumption unlikely, however, and have decided on a major effort to court American good will.]

The effort was highlighted last week by Foreign Minister Swaran Singh, who told Parliament:

Singh's speech hit a responsive chord in most of the non-Communist press in India. Editorials, however, do reflect the government's concern that the US policy review concerning arms to Pakistan may be nearing completion. The editorials were almost unanimous in pointing out that resumed US military sales to Pakistan—no matter how small—would sour the climate for improved relations. Meanwhile, Mrs. Gandhi's sometime ally in Parliament, the pro-Moscow Communist Party of India, has bitterly attacked the initiative toward Washington.]

Singh also called for better relations with Peking in his statement in Parliament. Relations between the two Asian states have been bad since the war in 1962, and attempts in 1970 to improve them ended when New Delhi and Peking found themselves on opposite sides in the Pakistan-Bangladesh crisis. India obviously would like to reduce Chinese support for Islamabad. China, however, can do little for India in the economic field, and, unlike Washington, has not recently signaled good will to New Delhi. [redacted]

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**SECRET****INTERNATIONAL****OIL DEVELOPMENTS**

120 [Some agreements may be reached between oil-producing countries and Western oil companies by the end of the year, but problems will continue to crop up.]

125 [All major matters of principle have been resolved on participation by the Arab Persian Gulf members of Organization of Petroleum Exporting Countries in the operations of Western oil companies within their borders, but details on prices have yet to be established. Saudi Arabia, whose oil minister Yamani negotiated the tentative agreement on behalf of the gulf states, and Abu Dhabi and Qatar are believed ready to sign the agreement. Kuwait, assigned responsibility for negotiating prices, is moving slowly on this potentially controversial issue. The gulf states, nevertheless, hope to be able to implement the participation agreement by 1 January.]

122 [Meanwhile, the Shah has reopened a package deal negotiated last spring with the consortium of companies operating in Iran. He is pressing the companies to sweeten the package so that it at least matches the gulf participation agreement.]

126 The companies have already guaranteed the Shah future high levels of Iranian production, increasing amounts of oil at a low price for sale to his National Oil Company. They also have agreed to construct a new refinery, and they offer a joint venture to discover new sources of oil; the companies probably are willing to give more to salvage the agreement.]

123 [The Iraq Petroleum Company has made an offer to Baghdad to settle the myriad problems resulting from nationalization of the company's facilities in Iraq. The Iraqis appear to be interested in reaching a settlement soon. The company will accept oil as compensation for its Kirkuk oil fields. Although Baghdad has consistently refused to pay compensation for the North Rumaila oil field, the company hopes to end this festering 11-year-old problem by proposing to accept compensation in the form of oil at discount prices. To

avoid future problems, the company is suggesting that Baghdad participate in the operation of the Basrah Petroleum Company, still operating under company management.]

124 [Negotiations continue between Libya and Bunker-Hunt on Tripoli's demand for 50-50 participation. After consulting other Western oil companies, Bunker-Hunt has refused to meet Libya's demands. The companies wish to avoid jeopardizing the participation arrangement with the gulf states. The companies' counterproposal is likely to be along the lines of the tentative gulf agreement. Libya's leverage in the current negotiations appears limited. Larger companies with diversified production sources have agreed to provide Bunker-Hunt with oil if Libya takes punitive action against the company. Furthermore, Tripoli's demands do not have the support of the Organization of Petroleum Exporting Countries, and Libyan oil production has dropped.]

**MONETARY TALKS**

129 [Conferences last month of subgroups of the Organization for Economic Cooperation and Development and the International Monetary Fund pointed up substantial disagreements among industrial nations with respect to the shape of an international monetary reform. A recent US proposal to use changes in international reserves to trigger exchange rate adjustments came under particularly heavy attack.]

127 [Many representatives rejected the notion that a single indicator should be decisive or that mandatory exchange-rate adjustments be based solely on statistical indicators. A French representative, for example, noted that disruptive capital movements could be expected if any easily observed indicator were used to determine exchange rate changes. Others argued that balance of payments problems are too complicated to be evaluated by reserve movements alone. The chairman of one of the subgroups pointed out that the use of more than one indicator, on the other hand, might give conflicting signals.]

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## VIETNAM

### HANOI HOLDS FIRM IN PUBLIC

25X1 The North Vietnamese have published several authoritative comments on the negotiations over the past couple of weeks. All of them reiterate Hanoi's basic position that the cease-fire agreement should have been signed a month ago and that few if any changes in the draft can be permitted. The commentaries did contain unusually objective expositions of the Saigon government's criticisms of the draft. The commentaries warned that Hanoi will regard any attempt to revise the agreement's basic principles as an intention "to scrap all the commitments already made." At no time, however, did Hanoi imply the talks are at an impasse.)

Hanoi intends, right after a cease-fire agreement is signed, to mount a campaign to lengthen the list of countries recognizing North Vietnam. The effort is to focus on South-east Asia and Europe, with Hanoi trying to establish trade missions or travel offices in countries where it cannot get full recognition.)

Hanoi, in fact, has already gained diplomatic recognition from several European countries (Austria being the latest), and it has been angling with some success for closer economic relations with the Japanese. In their eagerness, the North Vietnamese have softened some long-standing preconditions: they now are willing to accept ambassadors from countries that also have embassies in Saigon, for instance.)

### TROOPS TO STAY IN SOUTH

The Communists are telling their cadre in South Vietnam that the bulk of North Vietnamese troops will stay on under one guise or another following a cease-fire.

Most accounts indicate that the North Vietnamese forces will be broken down and dispersed in smaller units under the ostensible control of the National Liberation Front military apparatus. Some reports claim that the larger North Vietnamese units will be hidden away in safe base areas pending new orders. The reports suggest that the Communists plan to be flexible on the role of North Vietnamese forces, tailoring their activities to local needs.)

17 In briefings on the role of the North Vietnamese after a cease-fire, the Communist hierarchy appears also to be seeking to reassure the Viet Cong that they will not be deserted and left more vulnerable to government pressures. Many of the briefings continue to assert, in fact, that the Communists plan to renew their military effort sometime after the cease-fire in order to win

### The Diplomatic Push

Le's talk of friendship toward Southeast Asia is consistent with other indications that the North Vietnamese plan to step up the efforts of the past few months to broaden their contacts with the non-Communist world.

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control of the country. The timing and nature of this military effort is very vague at this point and may indeed be largely for morale-building purposes.]

### Not Much Fighting

31 [Military action continues in Quang Tri Province and in the central highlands, but the territorial gains on both sides have been negligible. Continued poor weather, as well as stiff resistance, still hobbles the government drive north from Quang Tri City toward the Cua Viet River. There is evidence that the North Vietnamese forces in this sector have been substantially reinforced since their heavy losses last summer. Enemy forces are managing to check most of the limited government efforts to expand control over terrain outside the provincial capitals of Kontum and Pleiku.]

32 [Where the situation permits, the Communists appear content with low key tactics just to demonstrate their continued military presence. Such an intent doubtless lay behind the well-staged rocket attacks on the Saigon airport on 6 December. Although the results were marginal from a military point of view, the Communists were probably delighted with the world press coverage. The enemy has the capability to stage more such attacks in the future.]

### Thieu's Political Gains

33 [President Thieu's political position has been strengthened by the desire of important opposition elements for a united anti-Communist stand in a cease-fire period. A key group of Catholics led by Senate Chairman Nguyen Van Huyen were among the most outspoken critics of the government last spring and summer. Now they reportedly believe that it is vital for all opposition

groups to back the government and thus thwart a Communist take-over when the fighting stops.]

24 [The An Quang Buddhists also have been reassessing their position. Many of the leading members of the An Quang hierarchy believe that criticism of the government should be muted for the time being. They are said to be more concerned with the survival of an anti-Communist government than with Thieu's shortcomings. Some An Quang politicians have indicated that they would like to cooperate with the President. The Buddhists are not totally united in this view; some Buddhists in the National Assembly continue to speak out against the government and would welcome Thieu's departure from the political scene.]

25 [Many of those who believe that cooperation with Thieu is necessary also believe that the government must broaden its base to survive a political contest with the Communists. This view was expressed recently by influential independent Senator Dang Van Sung, who told the US Embassy that he fears the Thieu government will be unable to cope with peacetime problems because of the "military outlook" of Thieu's entourage. Sung and others are naturally hoping for a more important role in a broadened regime.]

26 [There is no plausible evidence that Thieu intends at this time to bring new political blood into his government. He has never trusted many of the country's politicians and believes they do not have enough influence on public opinion to warrant concessions. He may be right, but once a cease-fire goes into effect, the Communists will step up efforts to influence major individual politicians and political groups. To hold his own, Thieu may find it necessary to court civilian elements to obtain their support.]

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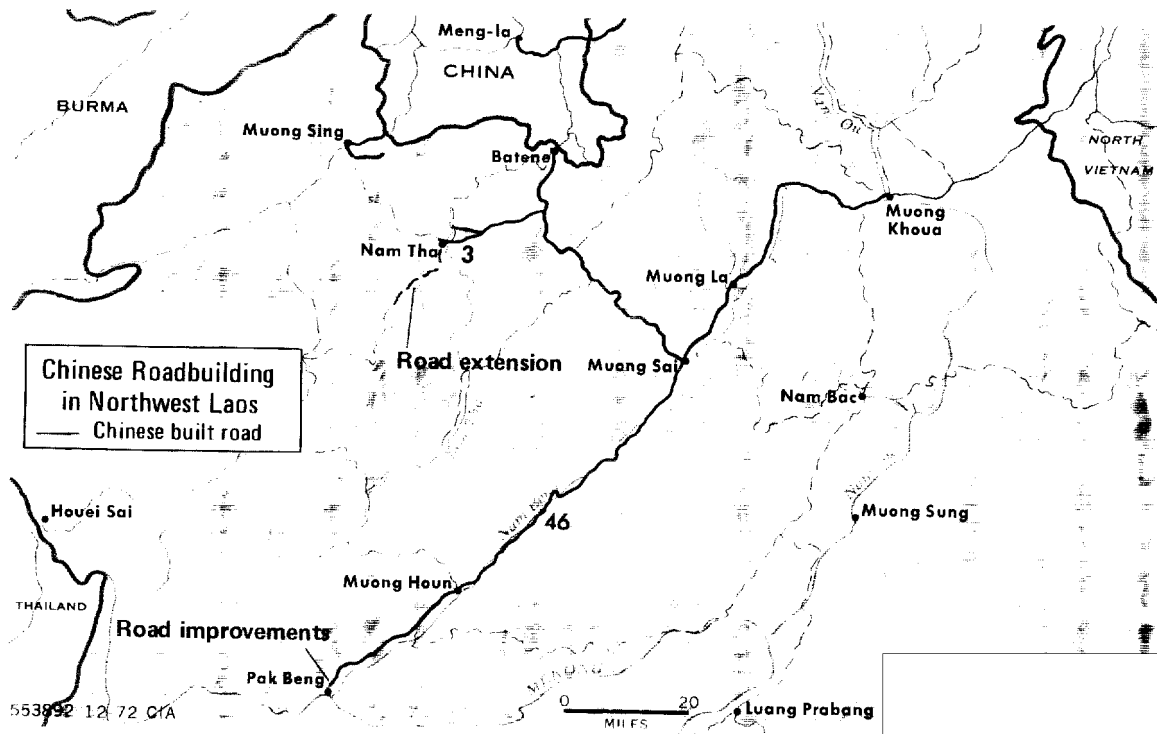
Photos of Chinese road construction taken by Lao intelligence team



North of Pak Beng



Along Route 46

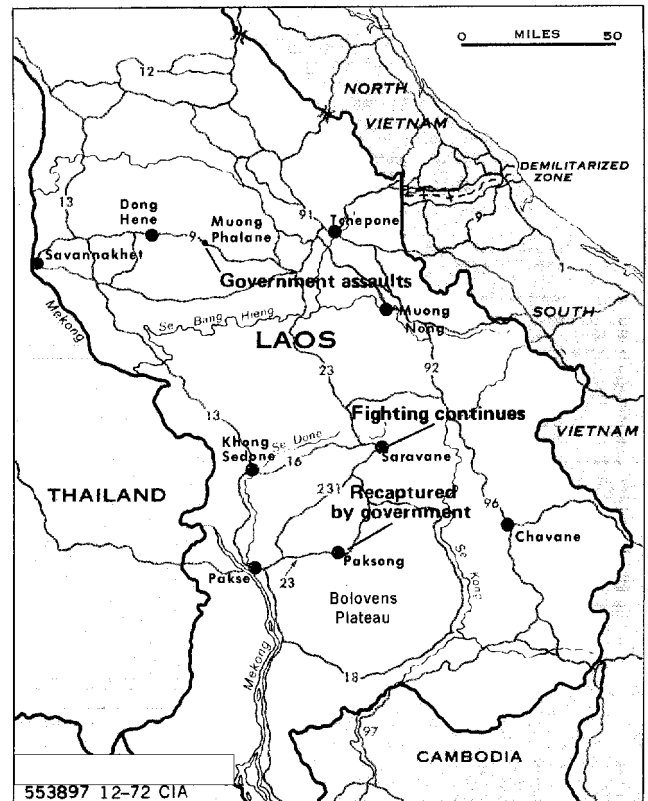


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**SECRET****LAOS****CHINESE BUSY IN NORTHWEST**

38 [New dry-season road construction is beginning in northwest Laos. Recent photography shows intermittent clearing and initial grading extending about 12 miles along the alignment of old Route 3 southwest of Nam Tha, a Pathet Lao administrative center near the Chinese border. This work has already covered half the distance between Nam Tha and Vieng Phou Kha, a former government refugee center overrun by the Pathet Lao in mid-November. The road extension will improve Lao Communist access to Houa Khong Province, a rugged area for the most part under government control. Elsewhere in the northwest, the Chinese are continuing work on the road from Muong Sing toward Nam Tha. They are putting the finishing touches on Route 46 just north of Pak Beng. There is no sign as yet that the Chinese plan to extend this road beyond the Mekong.]



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**PROGRESS DOWN SOUTH**

42 [Government forces have gained the upper hand in the struggle for several towns in southern Laos. Irregular units that moved into Paksong on the Bolovens Plateau on 5 December quickly secured it against light enemy resistance. These forces presumably will soon attempt to clear North Vietnamese troops from the western portion of the fertile plateau. Paksong was the commercial center for the Bolovens area until it was captured by the Communists in May of 1971, and the government can be expected to make a

strong effort to hold it in expectation of a cease-fire.]

42 [North of the Bolovens, other irregulars are withstanding strong North Vietnamese efforts to retake Saravane. Both sides have taken heavy losses in the struggle for this provincial capital which has changed hands several times in the past month. In the central panhandle, government troops are clearing small enemy units from Muong Phalane, a town which has been in Communist hands since May of 1971.]

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Gough Whitlam and Wife

## LABOR TAKES OVER DOWN UNDER

45 Election victories by Labor in Australia and New Zealand do not signal any significant changes in the historically close ties of these countries with the US. Both new prime ministers—Gough Whitlam of Australia and Norman Kirk of New Zealand—have affirmed that the basic relationships set up under the ANZUS treaty of 1951 will continue to be the foundation of their respective foreign policies. Both new governments, however, will probably be a bit more assertive than were their predecessors.]

49 [In Australia, for example, the Labor Party has already indicated that it intends to examine closely the agreements governing US defense and scientific installations in Australia.] It will, in the end, probably conclude that the installations fit within the framework of the US alliance. The new administration in New Zealand has similarly stated that it will look over the lease extending the operations of a US defense facility, but actually foresees no difficulty in accepting the agreement worked out with the outgoing government.]

48 [Since Labor has been out of power in both countries for long periods, some foreign policy changes can be expected outside the bounds of the ANZUS relationship. Both, for example, will very likely carry out campaign promises to open diplomatic relations with Peking. The new Australian Government has begun talks with Chinese officials in Paris; New Zealand, interested in working out a formula that will not jeopardize its trade with Taiwan, may move more slowly. The Labor governments have indicated they will pull back from the "forward defense" policy of their predecessors. Perhaps the first token of such retrenchment will be the withdrawal of the small Australian and New Zealand training contingents from Vietnam. Whitlam and Kirk have each questioned the utility of SEATO, but will probably keep their membership for the time being out of deference to the US.]

46 [As for their defense commitments to Singapore and Malaysia under the five-power defense arrangement with the UK, both Canberra and Wellington will move to replace the existing agreement with bilateral training and military-aid programs. Whitlam has indicated that consultations with the UK over the future of the five-power pact will begin next month. New Zealand will probably follow the lead of Australia, whose 4,000-strong military force in Singapore and Malaysia makes it the linchpin of the arrangement.]

47 [A precipitate dismantling of the five-power pact is unlikely. Although Whitlam has pledged not to replace units completing their tours of duty, he has promised to hold off on a complete withdrawal until Singapore and Malaysia are satisfied with substitute security measures. Singapore and Malaysia, always aware that the five-power arrangement's lifespan was highly uncertain, can be expected to take its gradual withering away in stride.]

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# JAPAN: TANAKA SEEKS A MANDATE

50 [A generally lackluster campaign has dimmed public interest in the general elections set for 10 December. There are no contentious issues, and the vote will probably not alter the political landscape significantly.]

50 [Only some 900 candidates—the smallest number in Japan's postwar history—will compete for the 491 seats of the House of Representatives.]

50 [The Socialists, Democratic Socialists, and Komeito have sharply limited their candidacies to minimize losses in districts where success is doubtful and to conserve limited campaign chests. In contrast, the ruling Liberal Democratic Party has responded to factional pressures by expanding its list of official candidates. The competition among the party's large, semi-autonomous factions could well fragment the conservative vote in several districts and lead to the loss of some seats held by the Liberal Democrats. Such losses, however, are not apt to be great enough to seriously erode the party's commanding majority in the Diet.]

51 [Prime Minister Tanaka has the greatest stake in the outcome. He is seeking to strengthen his personal control of the party by enlarging his own faction, and one third of the new candidates endorsed by the ruling party are affiliated with him. Foreign Minister Ohira, Trade Minister Nakasone, and former foreign minister Fukuda,



Tanaka (r.) Campaigning

who lead important factions in the party, hope to bolster their respective standings as a prelude to prime ministerial bids in 1975. Fukuda and Nakasone, perennial rivals in the third district of Gumma Prefecture, are engaged in an unusually bitter personal competition, following Nakasone's support for Tanaka in the party presidential election last July.]



51 [Although the opposition parties are attempting to focus voter attention on broader policy matters, such as US-Japan security arrangements and the new defense plan, the Japanese appear to be more concerned with the personalities of the candidates and with domestic problems that immediately affect their personal lives. Tanaka is capitalizing upon his broad popularity, and his promises of more responsive government with increased attention to welfare and environmental problems have strong voter appeal. Gains by Tanaka's candidates on Sunday will decrease the prime minister's dependence on the other factions of the ruling party, and an impressive victory for the ruling party will give him a popular mandate to implement economic and social welfare reform programs.]

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**SECRET****CHINA****IN THE GRAIN MARKET** 52

Tight world supplies of wheat, poor harvest conditions within China, and grain transport problems in Canada have combined to change the pattern of recent Chinese grain purchases.

The Chinese entered the grain market earlier than usual this year to offset disruptions in the delivery of wheat caused by the Canadian dock strike of August and to make up for the shortfall

in the grain harvest in north China. Between late August and mid-October they acquired almost 900,000 tons of US wheat and corn, mainly for delivery by the end of December 1972.

In mid-October, the customary time for the Chinese to negotiate for grain to be delivered in the following year, they found themselves at a disadvantage: prices in the world wheat market had been driven up by large Soviet purchases. The Chinese were forced to buy in this market by a


**CHINESE GRAIN  
PURCHASES**

*for delivery in  
crop year 1973*

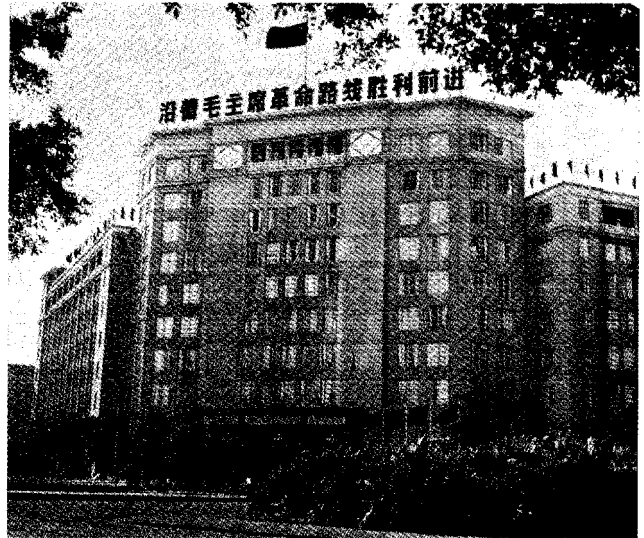
Contract Date (1972)	Quantity (million tons)	Delivery Schedule (1973)	Country of Origin
2 Jun	0.75 (wheat)	Jan-Mar	Canada
27 Sep	1.0 (wheat)	Jan-Dec	Australia
10 Nov	1.7 (wheat)	Apr-Sep	Canada
early Nov	0.5-1.5 (corn)	Jan-Jun	US
early Nov	0.6 (wheat)	Jul-Dec	undetermined

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further deterioration in autumn harvest prospects. Because of Canadian insistence on unacceptably high prices for additional quantities of wheat, China has shifted its purchases away from Canada, primarily to Australia and the US. For the first time in a decade, Chinese purchases feature large quantities of corn. Corn has been cheaper and more abundant than wheat.

China may now be easing out of the grain market. Tenders for wheat and corn have been rejected, suggesting that no more large grain deals will be made before the summer of 1973. However, grain purchases for delivery in 1973 already total at least five million tons, well above China's recent annual average of about four million tons. Total foreign exchange costs for grains now under contract could exceed \$400 million.]



Canton Trade Fair Building  
*Outgrown*

#### BUSY AT THE FAIR

53, 54 [Initial reports indicate that business at the Canton Fair this fall exceeded the levels of the past several fairs. Approximately 8,500 traders attended and concluded contracts in excess of the record \$1 billion set at the spring fair. Chinese export prices for many goods were higher than at the spring fair, however, and some goods were in short supply.]

53 [The Japanese again sent the largest contingent—some 2,600 representatives from 1,640 Japanese firms. Their transactions totaled an estimated \$250-300 million. Among their purchases were soybeans, handicrafts, and art objects; long-term contracts to import Chinese industrial raw materials also were concluded. Sales of Japanese chemicals reportedly showed a marked increase. The West Germans are said to have made substantial sales of machinery and steel.]

52 [Over 75 US firms attended, double the number at the spring fair.]

54 [Contracts signed by US firms were valued at more than \$20 mil-

lion, including the first sales made at a Canton fair. A \$10-million sale of synthetic fibers by Monsanto was the largest single American transaction. Additional sales may result from contacts made by such major US firms as Alcoa, Dupont, and Uniroyal. US purchases of Chinese goods reached at least \$9 million, with chemicals accounting for about \$3.5 million. Other purchases included bristles, non-ferrous metals, fireworks, handicrafts, and light manufactures. Lack of most-favored-nation tariff status raised prices of some Chinese goods to unprofitable levels. US importers, however, found the Chinese willing to meet US administrative procedures, such as labeling requirements.]

53 So many visited the fair this fall that hotels were overcrowded and a strain was placed on Canton's municipal services. As a result of growing attendance, the Chinese plan to build a new exhibit center, as well as a hotel and transport facilities in the northern suburbs of Canton. They hope to have them done by the 1973 fall fair. The Canton fairs apparently will continue their central role in China's foreign trade, especially as a forum for marketing Chinese products. 25X1

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### FRANCE

#### PRE-ELECTION STRAINS

58 [With national parliamentary elections due in March 1973, problems are piling up for the Pompidou government. The biggest is inflation, with prices increasing at the highest rate in ten years. Moreover, the Communist and non-Communist leftist parties put on a show of unity in a joint pre-campaign rally on 1 December, but internal strains reportedly are afflicting the coalition. Finally, financial scandals implicating certain Gaullists still cast a long shadow over the government.]

59 [The rise in consumer prices will probably exceed 6.5 percent this year. Recent major increases in wages and in the money supply will maintain the upward pressure. Food prices, always an intensely sensitive issue in France, are up even more than the average. President Pompidou is expected to respond this week by announcing new measures aimed at slowing down the rate of inflation. The government will probably increase reserve requirements against credit from financial institutions, reduce the value-added tax on food items, and emphasize price restraints in key industrial sectors. Fiscal policy is not likely to change significantly. The budget is currently balanced, and the government would find it difficult either to raise taxes or cut expenditures.]

60 [These measures are not likely to reduce inflation substantially during 1973. Pompidou wants, if possible, to avoid anything so unpopular as wage controls, which might be more effective. Government leaders are attempting to minimize the political repercussions of the price increases by stressing that other industrialized countries also suffer from inflation, some to a greater extent than France, and that the competitive position of French exports in the world market thus has not yet been imperiled. French officials also argue that real wages are continuing to increase and that the economy is growing without serious unemployment problems. These explanations have not helped much.]

61 [Labor and opposition leaders are getting a lot of mileage out of the alarming economic situation and other government shortcomings. At a

recent massive rally the united left vigorously criticized the government, effectively played down Socialist-Communist differences, pledged continued unity beyond the elections, and generally advanced the cause of the left as a whole.]

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Sticky charges of financial corruption in the government undoubtedly continue to disturb the Gaullists' coalition partners. With the left gathering momentum and appearing less of a boggy to the middle-of-the-road voter, the opposition looks much more formidable than it did only a month ago. Nevertheless, at this point in time the Gaullists still look like they will emerge from the elections with a majority that, if not as large as the present one, will still be workable.]

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#### NEW SPACE LAUNCHER

60 [France may decide to develop its own launch vehicle for heavy satellites if its European partners decide not to participate in building the Europa-III launcher.]

61 [The French have made considerable progress in the development of a new space launch vehicle and that Paris may proceed with the development of such a launcher, particularly if West Germany withdraws from the Europa-III project. A decision on Europa III—essentially a Franco-German effort—is to be reached at the European space conference scheduled for 20 December in Brussels. The conference is not expected to produce a strong vote of confidence for the Europa program.]

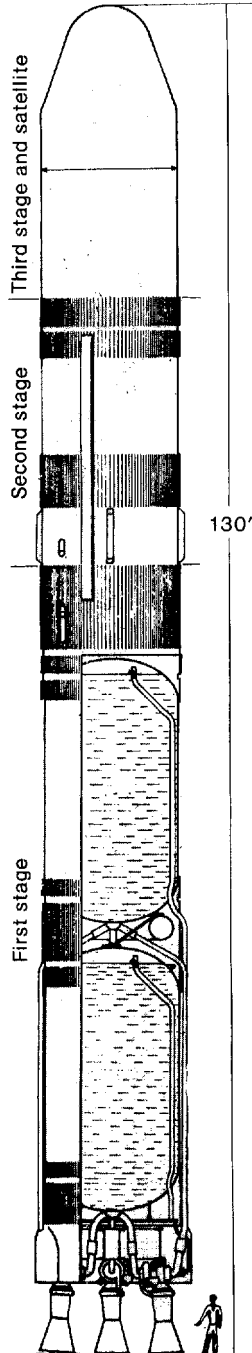
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62 [The new launcher being developed by the French National Center for Space Studies would be capable—like the Europa vehicle—of launching satellites of up to 1,650 pounds into synchronous orbit. The first stage, consisting of four French-developed Viking engines with 60 tons of thrust

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**Europa IIIB  
Space Booster**



each, is the same as that planned for Europa III. The Viking already has undergone static test firings at the French rocket motor test center at Vernon. The second stage would be designed around a single Viking engine. There would be a third and possibly a fourth stage, depending on French requirements.]

[The vehicle probably could be constructed more quickly than the Europa III, and the French estimate the cost at about \$440 million. They nevertheless will be prepared to continue the Europa-III program if the Germans are willing. The joint project, including other Western European countries as well, would cost France less even though the total cost would be higher—about \$620 million.]

[The French consider that the choice of vehicles is of secondary importance. More important to Paris is that Europe continue to develop its own launch vehicles, thereby avoiding restrictions on payloads that might be imposed if US vehicles were used. French officials point out that the US has not been willing to provide launchers without conditions—namely prohibitions on the use of US launch vehicles for orbiting communications satellites outside of INTELSAT or for military purposes. The French have not yet placed much emphasis on military space projects. Programs for the launching of satellite communications systems, however, are receiving top priority within the French Government.]

[France already has its own space launch vehicles and has launched scientific satellites from its own space launch centers. None of the existing French vehicles, however, is capable of launching heavy satellites for communications or other applications. Recent market studies have indicated that there is sufficient demand in Western Europe to justify development of larger vehicles—some 40-50 will be needed by the UK, West Germany, and France between 1980 and 1990.]

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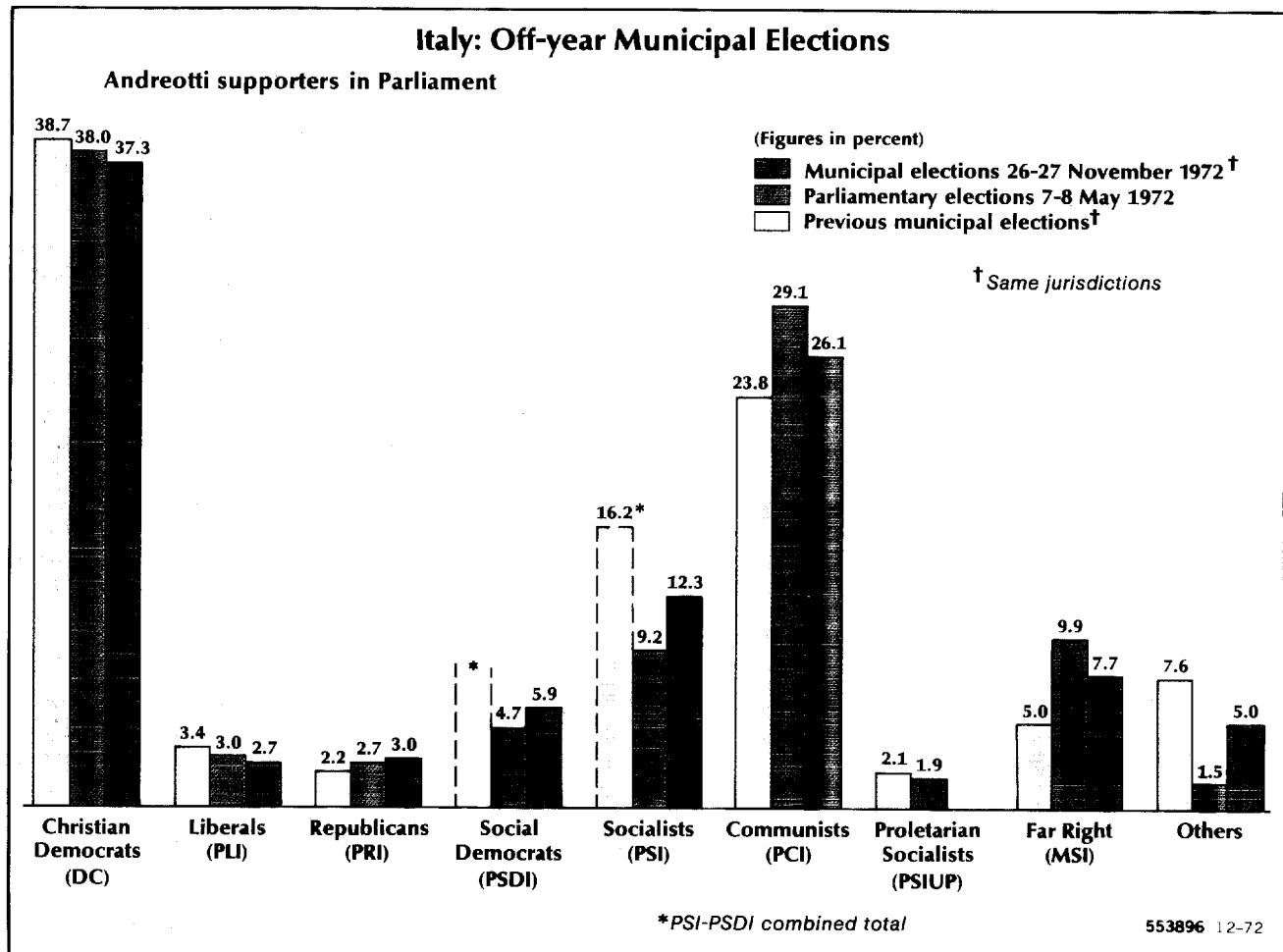
**SECRET****A SOCIALIST WIN IN ITALY**

[The increased strength gained by the Socialists in recent scattered local elections surprised the country. Only one tenth of the electorate was involved, but the elections had national importance as the first test of public opinion since the installation last summer of the centrist Andreotti government. Christian Democratic Prime Minister Andreotti accentuated this aspect of the vote when he asked the voters to ratify his government which omitted the Socialists.]

[The Republicans and Social Democrats did well enough to provide slight evidence of popular support for the government, but a key Social Democratic leader, Giuseppe Saragat, and most of

the Republicans have for some time seemed sympathetic to a revival of the old center-left government.]

[The Socialists' victory points in this direction, too. At their party congress in mid-November, a majority had favored early re-entry into the government. The Socialists evidently picked up votes from the former far-left Proletarian Socialist Party. The Communists had expected to acquire this vote when they absorbed most of that party's leadership earlier this year. At the same time, in the northern French-speaking region of Val d'Aosta, a Communist-backed alliance won narrowly in both a Senate and a Chamber of Deputies by-election.]

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(S) [Economic factors probably had a bearing on the government's poor showing. The cost of living rose 1.2 percent in October, the largest monthly increase in 25 years. Employment in September was two percent lower than a year ago; unregistered employment, including cottage industry, takes up some but not all of the slack. After a two-year recession, recovery was thought to be on the way, but official growth forecasts for gross national product in 1972 have been continually revised downward; the present estimate is three percent. With considerable unused industrial capacity, investment remains weak, industrial production has barely increased, and adverse weather hurt agriculture.]

(S) [The Andreotti government now must contend with the demands from leaders of the major Communist and non-Communist confederations. Key contracts in the construction and metal working fields are still to be signed, and a number of disputes affecting public services, including mail, are looming. The government must face the hazards of resumed parliamentary activity as well. One of the trickiest problems could be the argument over homeporting for a US submarine tender on La Maddalena Island. The Andreotti government is likely to last out the year, but beyond its life is an uncertain thing.]

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## THE NETHERLANDS: FINELY BALANCED

The Dutch may have to live without a government for a spell while their political leaders grope with the consequences of the inconclusive national elections last week. The voters gave a mild rebuke to the center-right parties that composed Prime Minister Biesheuvel's government, but did not give any other feasible combination enough seats to form a viable coalition. The only

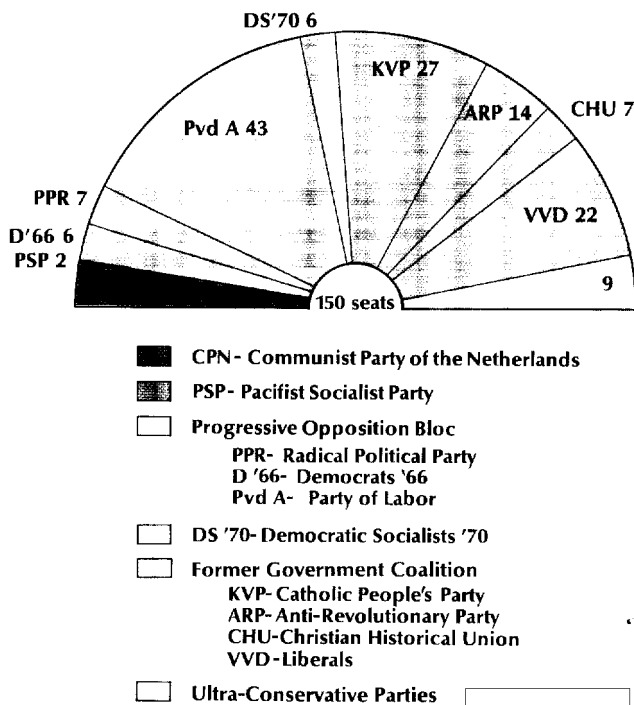
clear outcome was political fragmentation, as the center parties—particularly the Catholic People's Party, the cornerstone of every post-war government—lost votes left and right.

Queen Juliana began consultations with parliamentary leaders late last week. Labor Party leader Den Uyl wants to form a minority government composed of the three leftist parties, the so-called Progressive Bloc; Den Uyl has already chosen two thirds of his proposed cabinet and sees no need for lengthy negotiations. The bloc, however, holds barely a third of the seats in the new parliament and would require the tacit support of other parties if it were to survive as a government. Den Uyl's lieutenants are seeking the cooperation of the Catholics.

For the moment, however, conservative politicians have outmaneuvered Den Uyl. Marinus Ruppert, a member of the Protestant Anti-Revolutionary Party, on 4 December accepted the Queen's request to investigate the possibilities of forming a government. His appointment should give the confessional parties and the Liberals more time to work on restoring a center-right coalition similar to the last. If Ruppert can persuade the Democratic Socialists and some of the ultra-conservative parties to give de facto support, he might put together a working majority. The idea, however, is not popular with left-wing Catholics and Protestants, who disagree sharply with both the Liberals and Democratic Socialists on the issues of defense spending and strong wage and price controls.

If both Ruppert and Den Uyl fail, an extra-parliamentary government of ministers drawn from many parties may be formed. Such a smorgasbord arrangement would be inherently unstable, but it would at least forestall new elections. The respite would primarily benefit the battered and divided Catholics, who must eventually decide whether to throw in with the Protestants and form a large Christian Democratic Party or follow the general trend to the left and strike a formal alliance with Den Uyl.

Second Chamber of Dutch Parliament



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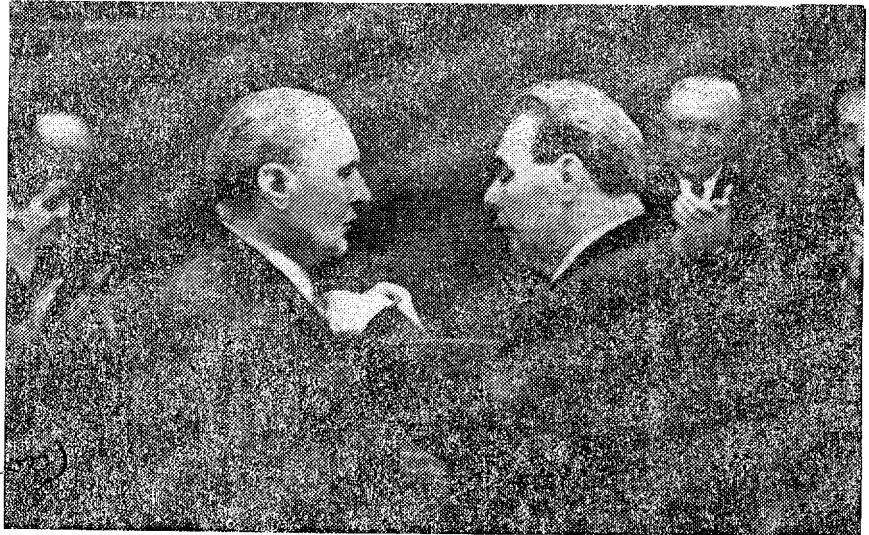
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USSR-Hungary

**A KISS  
FOR KADAR**

(not shown)



On his first day in Hungary, Soviet party chief Brezhnev bestowed upon his counterpart Kadar the Order of Lenin, effusive praise, and a kiss. That set the tone for the entire visit. The emphasis from the Soviet side was clearly on reinforcing and displaying the unity of the socialist camp, and there was no hint that the Soviets were less than fully satisfied with Kadar.

Reporters noted that on his arrival Brezhnev looked tired—perhaps still showing the effects of his recent illness—but was in a jocular mood and moved briskly through the welcoming ceremonies and greetings. Brezhnev remained in Budapest while the rest of the delegation traveled outside the city, but his schedule did not seem otherwise impaired by his recent health problems.

Brezhnev, contrary to the expectations of some Hungarian and foreign observers, did not express any criticism of Budapest's New Economic Mechanism. In the major speech of his five-day visit, Brezhnev allowed for national diversity in striving for a common goal. The Soviet party chief's implicit praise of the Hungarian mechanism will hearten proponents of the reform in Budapest and elsewhere and should strengthen their hand in countering conservative carping. At the same time, the communique, which stressed the need for "reciprocal study and sharing of

experiences," made it clear that Moscow will continue to watch the Hungarians closely.

The fact that Brezhnev did not criticize is pegged to the Soviet desire to avoid generating tensions now, while broader European negotiations are getting under way. Moscow also recognizes that Kadar has taken measures to tidy up the loose ends of the Hungarian economic reform. Greater restrictions on domestic investment and foreign trade have given a favorable turn to the economy this year. In addition, Soviet uneasiness about the decentralized nature of the Hungarian economy may have been alleviated somewhat by the promise of the Hungarian central committee last month to grant additional authority to central planners. The regime has also moved against some of the more obtrusive instances of "bourgeois" profiteering and "unjustifiable" income.

Some of the long-term economic problems that Premier Fock publicly aired early this spring doubtless persist. These were eased a little even before Brezhnev's arrival. After several years of foot-dragging, Budapest agreed this summer to invest in the construction of a cellulose plant in the USSR, just the kind of help Moscow has been seeking from its East European allies. The Soviets have made it plain to the reluctant Hungarians that joint undertakings like this are their best means of assuring raw material supplies from the USSR.

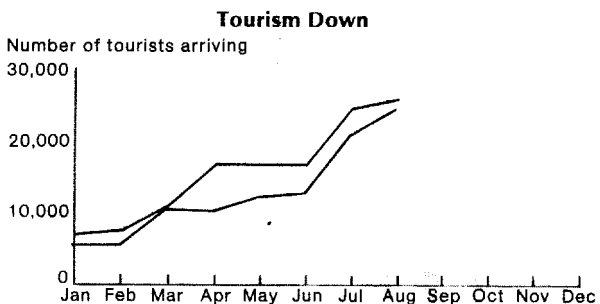
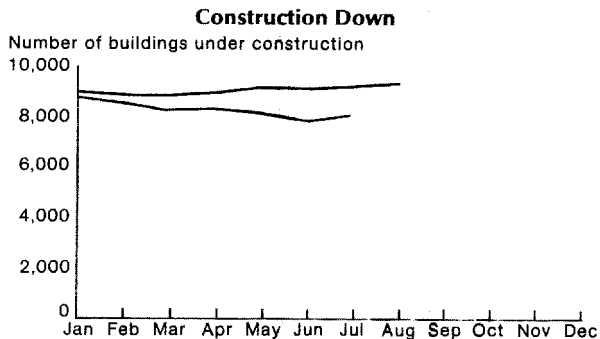
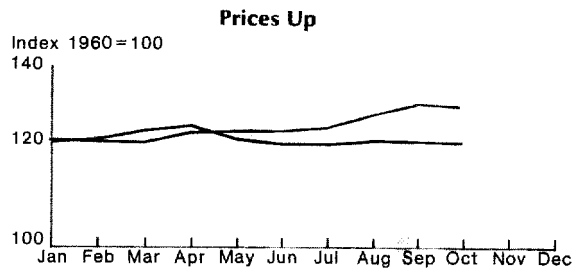
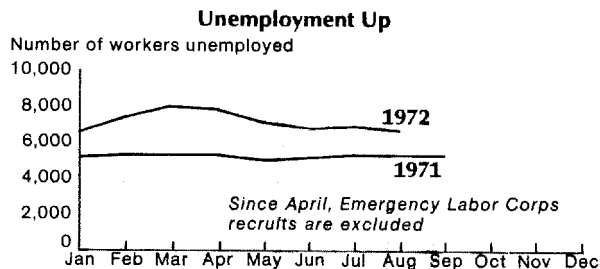
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**SECRET****MALTESE ECONOMY LAGS**

The economy this year has been growing more slowly than in any year since independence in 1964 and well below the four-percent rate achieved last year. Signs of discontent are becoming more apparent. Civil servants, teachers,

and lawyers have staged strikes in the past month, and the important dockyard workers are unhappy with union leaders who have agreed to defer wage increases until April 1973.)

**Malta: Economic Indicators**

Despite substantial foreign aid, which Prime Minister Mintoff declared would be used for economic development, the man-on-the-street in Malta has gained no tangible benefits. Unemployment has reached record levels and prices have risen very sharply in the 16 months since Mintoff took office. Government investment is down. Private investment is too, largely because of the government's failure to develop comprehensive economic policies. Instead, the government has responded to specific problems with ad hoc measures, some of which have discouraged private enterprise. Imports of both capital goods and construction materials are down substantially from last year, reflecting the stagnation in manufacturing and in new building starts. Tourism, previously one of Malta's most dynamic growth industries, remains below last year's level.

In 1971, an investment incentive program for industry was canceled and price and wage controls were established. To counter the negative impact of these policies, Mintoff recently established an Investment Incentive Council, composed of prominent foreign economists and businessmen, to advise on strategy for attracting foreign investment. He also indicated that some investment incentives—such as accelerated depreciation and tax exemption for investment in certain industries—will be granted. The impact of these conciliatory gestures may be diminished by an exchange control bill, now being debated in parliament. It calls for the disclosure and liquidation of all capital holdings abroad. Such controls on capital are likely to lead to a further deterioration in Malta's investment climate.

Although the Mintoff government repeatedly has promised to publish a new development plan, a seven-year scheme that is being worked on will probably not be released until after the new budget is presented next March. Private businessmen are not likely to commit themselves to investment projects until the direction and force of the government's policies are clear. Prospects for the economy for at least the next six months are therefore bleak.

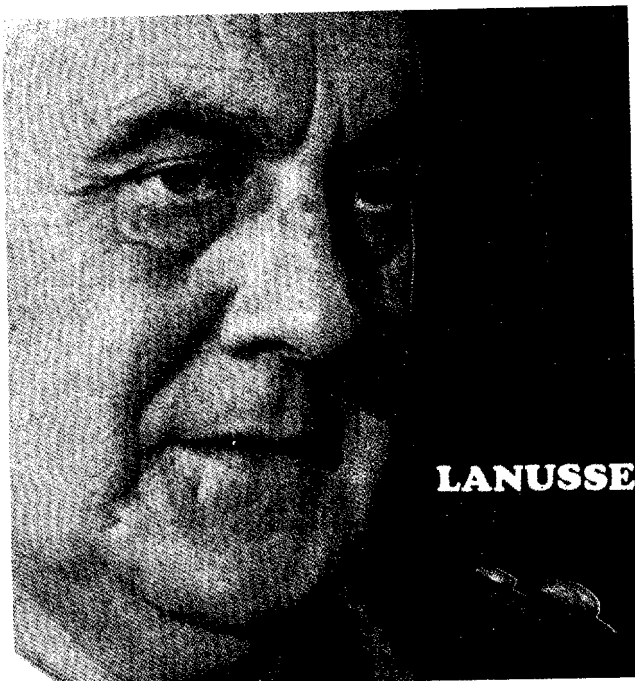
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## ARGENTINA: HEDGING ELECTION BETS (we saw Dec 15)



As the deadlines approach for organizing coalitions and naming candidates, President Lanusse is moving to guarantee that the military will be represented in the March elections. Lines of communication remain open between Lanusse and Juan Peron, but little progress has been made toward a political accord that would produce candidates acceptable to both camps.

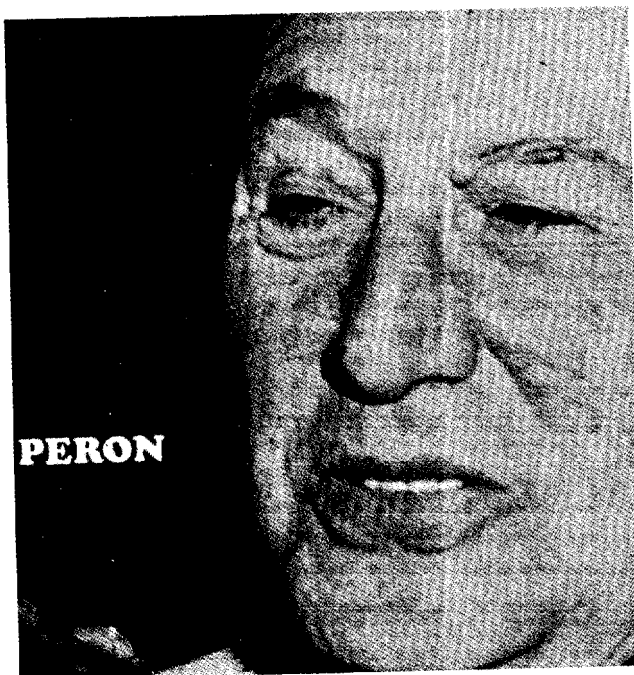
President Lanusse's latest tactic surfaced in the press on 5 December with speculation that air force General Ezequiel Martinez, a close adviser to the President, would head an election coalition of provincial parties and other non-Peronist groups. The junta decision not to extend the organizing deadline beyond 11 December suggests that it expects little difficulty in finding sufficient support to qualify for participation in the elections. A military candidate would have little drawing power without Peronist or Radical support, but would give the armed forces more leverage in reorganizing electoral slates for the runoff election that is expected.

The Peronists also made sure they met the 11 December deadline for registering coalitions. They have announced the formation of a "Justi-

cialista Front," which brings together Peronists and several small parties and splinter groups that have been identified with Peron's election effort since last summer. The Radicals, who have been seeking a political agreement with the Peronists and the military that would ensure them a role in the next government, have refused to join the Peronist front.

The Justicialista Front maintains that Juan Peron is its presidential candidate, although evidence is accumulating that the Peronists have accepted the government's decision to let stand the residency requirement that bars his candidacy. The Peronists will support the old dictator's candidacy as long as possible in an effort to keep the increasingly divided movement from disintegrating before the elections.

With the approach of the 21 December deadline for naming candidates, political bargaining is likely to intensify. The military, the Peronists, and the Radicals would still like to work out some sort of agreement that would remove doubt about the election outcome and reduce the political divisions that have led to one unstable government after another since Peron's ouster in 1955.



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Such an agreement is proving an elusive quarry. [redacted]

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## BRAZIL: A TRIP TO AFRICA

87 [Foreign Minister Gibson Barboza has returned from an extensive tour of west Africa. This trip, like his travels in Latin America last year, was designed primarily to further the Foreign Ministry's ambition to cast Brazil in the role of an emerging world power.]

86 [Gibson Barboza's safari covered nine countries: Ivory Coast, Zaire, Cameroon, Nigeria, Dahomey, Togo, Gabon, Ghana, and Senegal. His themes were generally the same in each: stress on historical ties with Africa—half of Brazil's population is of African descent—and on shared economic interests as members of the developing world. He noted that they too are producers of primary products such as coffee and cacao and should work together to obtain higher prices from the consumer nations. He also signed agreements for exchanges of teachers, artists, and books, and for Brazil to provide modest technical assistance..]



Foreign Minister Gibson Barboza  
*Promoting Brazil's aspirations*

85 [Perhaps even more than anticipated, the principal political problem Gibson encountered was the desire of the Africans—most notably, in Nigeria and Cameroon—for Brazil to take a strong stand against Portugal in Africa.] (This is a controversial issue among Brazilian officials. The Finance Ministry, a rival of the Foreign Ministry in the field of foreign relations, believes the potential for economic opportunities in Portuguese Africa and in South Africa outweigh the somewhat nebulous gains in prestige that could result from cultivating the area visited by Gibson.)

83 [Early this year, the differences between the two ministries on the subject became so pronounced that President Medici called in Gibson and his counterpart in finance and ordered them to keep their differences private. Apparently, the decision was to try both approaches, with Gibson going to black Africa and the finance minister

visiting the Portuguese territories, and possibly South Africa, later in the year or in 1973.]

86 [In his discussions with the Africans, Gibson affirmed his country's support for the principle of self-determination without making any commitment that could impair relations with Portugal. This equivocation contributed to a reserved official attitude toward the minister in some of the countries visited.] He recognizes that his brief contacts with the governments he visits do not in themselves bring any immediate or dramatic advantages for Brazil. Gibson does believe, however, that the trips promote Brazil's aspirations for international prestige, particularly among the developing nations, and they also bring modest economic benefits. Next year, he plans to extend his diplomatic campaign to another new area, the Mid-East, where he will visit Egypt, Israel, and possibly other countries. [redacted]

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**SECRET****HONDURAS: AFTER THE COUP**

81 Hondurans are displaying a somewhat relieved, business-as-usual attitude following the long-awaited overthrow of President Ramon Cruz by chief of the armed forces General Oswaldo Lopez early Monday morning.]

91 The event that prompted the ouster was a hunger march by several thousand peasants protesting Cruz' unresponsiveness to needs of the rural poor. Despite promises that the demonstration would be peaceful, the potential for violence provided the excuse Lopez had been seeking to oust Cruz, whose inept leadership had allowed the country to drift from one crisis to another.]

94 This is the third coup in which Lopez has been involved. The first was the overthrow of the Lozano dictatorship in 1956. The second was the overthrow of Villeda in 1963. Lopez retained personal control of the government from 1963 until the inauguration of President Cruz in June 1971.] This time, Lopez has announced he will remain at the helm for a "minimum of five years." Although Lopez was not known for his energetic direction of the government during his previous stint, some initial effort—specifically on agrarian reform—will be necessary to justify the action he has taken. Beyond that, Lopez is likely to direct his attention toward fiscal reform, law and order, and a house cleaning to reduce the level of corruption, which under Cruz reached an all-time high.]

91 While some of his measures may appear to have nationalistic overtones, Lopez, himself a businessman, is unlikely to threaten private en-

terprise or US investments. Lopez may also move faster to reincorporate Honduras into the Central American Common Market. He is considered less rigid than Cruz in the matter of normalizing relations with El Salvador and more willing to negotiate a settlement of the border dispute. Action on this problem, however, may be delayed until Lopez can lay the groundwork for popular acceptance of a settlement of the dispute, which is a gut issue in Honduras.]

91 Cabinet appointments indicate that Lopez will have the assistance of some competent people in dealing with the many problems that mushroomed during the Cruz administration. Organized labor will be delighted to have the conscientious Guatama Fonseca—fired by Cruz last spring—back in the labor ministry. The respected Colonel Juan Melgar, former police chief, will be the minister of government and justice with a strong voice in internal security matters. Manuel Acosta Bonilla returns to the Ministry of Finance, where he turned in an exceptional performance during the previous Lopez regime; Acosta may, however, still bear a grudge toward the US for encouraging Honduras to limit its military preparedness, resulting in a poor showing against El Salvador in the border war in 1969. The new foreign minister will be Cesar Batres, who is well regarded professionally. The only holdover is Colonel Raul Galo Soto as minister of defense. Conspicuous by his absence thus far is Ricardo Zuniga, who was the power behind the scene in the former Lopez administration.

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### **SYRIA-JORDAN: OPEN BORDER**

[On 1 December, Syria reopened its border and airspace to Jordan. Damascus had closed the border 16 months ago when Jordan forcibly ended fedayeen operations in and from its territory. The Syrian move, which should lead to a normalization of relations between the two countries, may also be designed to free Syrian forces tied down on the border. Damascus reportedly still anticipates an early major attack from Israel and expects, quite correctly, little military assistance from the other Arab states.]

[Jordan had kept its response to Syria's action in low key, but officials in Amman are delighted both with the form and the timing of the Syrian announcement. They see the move as vindication of Jordan's tough policy toward the fedayeen. A measure of Amman's approval of the Syrian action has been the speed with which Jordanian officials have moved to arrange an exchange of official visits.]

[The reaction from other Arab capitals, slow in coming, has been generally favorable, especially from Kuwait and Saudi Arabia, both of which were adversely affected by limitations imposed on their trade by the closure.]

[Israeli officials view the move as a "distinctly positive development" and a political victory for King Husayn. Some Israeli officials believe the move represents the first step by Syria toward tighter control over the fedayeen in Syria. According to press reports from Beirut, Syria has already imposed stricter controls on fedayeen operations into Israeli-held territory. The fedayeen silence in the wake of the Syrian announcement has been deafening. Although the guerrillas can only be irked by the move, they probably realize they can ill afford to criticize their most important host.]

[Economically, the reopening of the border should provide immediate and widespread bene-

fits. Shortly after the announcement, trucks and taxis began streaming across the border, and the Jordanian airline began flying over Syria en route to Europe. More important will be the opportunity afforded Jordan to dispose of its large crops of fruits and vegetables. The Jordanian minister of economy has predicted that prices on the local markets will drop, and indeed the prices of some food items have already gone down. Shipments of phosphate, Jordan's major export, which were never completely stopped as a result of the border closure, should now flow more freely.

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### **LEBANON: FEDAYEEN BOXED IN**

[The US defense attache in Beirut has concluded from a tour of southern Lebanon last week that the army is doing fairly well in maintaining the controls imposed on the fedayeen on 17 September. Although a few guerrillas have managed to evade the army's roadblocks, checkpoints, ambushes, and patrols designed to keep them away from the border, the fedayeen have not launched a raid into Israel since the Lebanese crackdown.]

[The Israelis, who closely monitor fedayeen movements near the border, want the Lebanese to do better. The Israeli commando strike on 23 November against a unit of the Popular Front for the Liberation of Palestine - General Command was the latest Israeli message to the Lebanese to impose tougher measures. The unit hit by the Israelis is a small, maverick group that refused to abide by Yasir Arafat's agreement with the Lebanese to cease cross-border operations.]

[The Lebanese apparently got the message and have since become more alert to fedayeen efforts to reinfiltrate the sensitive border area. Three days after the Israeli strike, the Lebanese

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**Fatah Leader Arafat**  
*Feeling less secure*

Army evacuated to the north a small group of guerrillas that had penetrated the army's security net.]

To make the guerrillas' problems even worse, tensions between the fedayeen and the local population are increasing. In one incident in a southern village late last month, a fedayeen molested a child, touching off a skirmish between guerrillas and local villagers in which one fedayeen was killed and three arrested. The army had to intervene.]

Fedayeen frustrations are generating increasingly bitter infighting within the guerrilla movement. Fatah leader Yasir Arafat, who agreed to Beirut's controls on the guerrillas, is being roasted by the rank-and-file for his "capitulation." This may spur efforts by his rivals to bring him down. Arafat, never very secure, now feels more threatened than ever. [redacted]

There are at least six major contenders for his post. Perhaps the most serious threat comes from Khalil al Wazir, who is said to be Syria's candidate for the post. [redacted]

## SUDAN: MENDED FENCES

Khartoum has renewed diplomatic relations with Moscow and is benefiting from better

economic ties with the USSR and East European countries.]

For more than a year, relations between the Sudan and the USSR were strained because Khartoum suspected the Soviets had a hand in the pro-Communist coup attempt of July 1971 and demanded that Moscow denounce the plotters. In late October 1972, President Numayri softened, saying he would consider economic and foreign policy support as an "indirect denunciation" of the coup. Moscow and Khartoum then appointed ambassadors. In mid-November, Moscow announced that bilateral talks about economic assistance had resumed and agreed to a debt moratorium. Soviet personnel are constructing a hospital and are engaged in geological surveys under a Soviet credit to Sudan.]

Sudanese economic relations with Romania continue to be good and are improving with other East European countries. Romanian experts are making transportation studies of the White Nile, and Romania is committed to help Sudan in oil exploration. East Germany, Czechoslovakia, and Bulgaria have taken steps recently to improve economic relations with Sudan. Bulgaria, for example, has informed Khartoum that it could draw on a 1967 credit canceled following Sudan's break with Communist countries.]

China took advantage of Sudan's disenchantment with the Soviet Union following the attempted coup in mid-1971 to increase sharply its economic aid program in Sudan. Currently, surveys are under way on several projects to be funded by recent Chinese credits valued at \$42 million: a 150-mile road, a textile mill, and a conference hall. Construction will soon begin on all of these. China also is providing agricultural aid and 60 Chinese doctors.]

In the future, Sudanese ties with the USSR and the new Eastern European aid donors are unlikely to be as good as they were prior to July 1971. Continued distrust, the substantial amount of Chinese activity, and the intention of the Sudan not to depend on Communist countries as the sole source of foreign economic assistance will limit the extent of the thaw. [redacted]

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# **CONGO: TRIBAL UNREST**

121 [The hostility of the southern tribes to President Ngouabi has flared again as his northern-based regime prepares for the congress of the ruling party later this month in Brazzaville. Ngouabi hopes to use the congress to rebuild his shattered governing coalition, which was purged of its principal southern representatives following an attempted coup last February.]

117 [Ngouabi, the first northerner to rule the country, has faced recurrent opposition since he took power from the populous southern tribes four years ago. Recent plotting by southern officers, coupled with scattered protests by southern workers and students, has caused Ngouabi to put the military on alert and to disperse a suspect army battalion from Brazzaville among northern garrisons. Ngouabi is also trying to placate his tribal opponents so as not to delay the party conclave.]

117 [The latest military plot—unlike the abortive coup in February by southern extremist Ange Diawara, who still is at large—was uncovered in the planning stage last month and did not command widespread support. The military remains no less factionalized than before, however, and fresh plotting may be under way.]

118 [Meanwhile, protests over long-delayed wage increases at the large government sugar complex in the southern city of Jacob led to the murder there last week of the local union chief, a northerner. Clashes followed between northerners and southerners, and at least 11 persons were killed. As a result the divided capital is tense, and troops have been deployed to prevent the fighting from spreading there.]

120 [Ngouabi's relations with his fellow northern officers, particularly chief of staff Yhomby-Opango, appear reasonably smooth, and key military units, as far as anyone can tell, seem loyal. Unless workers and students join hands or civil strife becomes widespread, the regime will probably muddle through yet again.] [In the current atmosphere, however, there is little likelihood that Ngouabi will be able to do much to reduce north-south divisions.]



Bakongo Fetish Figure

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